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FM SECSTATE WASHDC

TO AMEMBASSY DACCA

AMEMBASSY ISLAMABAD

AMCONSUL KARACHI

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E.O. 11652 GDS

TAGS:EAID EFIN, BG

SUBJECT: EXIM DEBT NEGOTIATION

REF: DACCA 2359

1. APPRECIATE EMBASSY DACCA'S CONCERN TOWARD REACHING SETTLEMENT
OF BDG PORTION EXIMBANK LOANS DISBURSED FOR PROJECTS IN BDG.

2. FOR REASONS INDICATED BELOW, EXIMBANK DOES NOT THINK USEFUL
SEND REPRESENTATIVE TO DACCA FOR DISCUSSIONS ON THESE CREDITS
FOR WHICH BANGLADESH WISHES RESCHEDULING.

3. THE CHIEF EXIM CREDIT INVOLVED IS FOR DACCA HOTEL AND, AS
INDICATED, IN PREVIOUS MESSAGES, EXIMBANK NOT PREPARED TO
FURTHER RESCHEDULE PAYMENTS ON THIS CREDIT. PAYMENTS FORM MAY
1971 THROUGH JUN 30, 1974 ALREADY RESCHEDULED WITH GOP. AS

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WE UNDERSTAND, HOTEL IS FULLY BOOKED, EARNING FOREIGN EXCHANGE,

AND SHOULD BE QUITE ABLE TO PICK UP THE SEMI-ANNUAL PAYMENTS OF \$93,000 PLUS INTEREST AT THE LOW RATE OF 5-3/4 PERCENT. CREDIT WAS INITIALLY GRANTED ON VERY FAVORABLE 18-YEARS TERMS. WE APPRECIATE THAT BDG HAS MANY USES FOR ITS LIMITED FOREIGN EXCHANGE, BUT EXIMBANK CANNOT ASSIST THROUGH CONCESSIONAL REPAYMENT TERMS OF VIABLE PROJECT.

4. CONCERNING THE THREE RELENDING CREDITS--NOS. 2359 (1984-G) AND 2627 WITH IDEP AND 2792 WITH PICIC--WHICH HAD SUB-BORROWERS IN BOTH BDG AND PAKISTAN, A COMPLETE BREAKDOWN OF THESE CREDITS AND SUBLOANS WAS PREVIOUSLY SUPPLIED BY EXIM TO USAID MISSION DACCA. THE RELENDING BANKS IN PAKISTAN, PICIC, AND IDBP, HAVE RECORDS OF SUBLOANS AND REPAYMENT SCHEDULE. IF BDG HAS DISPUTE AS TO WHETHER FUNDS WERE DISBURSED IN BANGLADESH, AS CONCERNING SUB-LOAN OF PICIC CREDIT 2792 FOR RAHMAN TEXTILE MILLS, DACCA (MENTIONED REFTTEL), BELIEVE THIS CAN BEST BE RECONCILED IN DISCUSSION BETWEEN BDG AND GOP. EXIM RECORDS INDICATE \$578,226.60 DISBURSED TO BANK OF AMERICA TO COVER 90 PERCENT OF PAYMENTS OF \$642,474.00 DISBURSED BY BANK OF AMERICA TO PICIC. THIS PICIC DISBURSEMENT COVERED IN IRREVOCABLE L/C NO, EB/US/LC-39 TO BANK OF AMERICA DATED FEBRUARY 11, 1971 FOR TEXTILE MACHINERY FROM SACO LOWELL SHIPPED VIA KARACHI FOR RAHMAN TEXTILES. INVOICE FOR EQUIPMENT DATED AUGUST 21, 1971 AND BILL OF LADING DATED SEPTEMBER 30,

1971. AMCONSUL KARACHI REQUESTED QUERRY PICIC CONCERNING ACTUAL DISPOSITION THESE FUNDS AND REPORT EXIMBANK AND AMEMBASSY DACCA.

5. AS FOR SUBLOAN CREDIT 2792 FOR ASFAR COTTON MILLS IN DACCA, A PROJECT WHICH BDG CLAIMS NOT COMPLETED, WE MUST CONTINUE LOOK FOR REPAYMENT FOR FUNDS DISBURSED FOR SHIPMENTS ALREADY MADE.

6. PAYMENTS FOR FUNDS DISBURSED ON THESE THREE RELENDING CREDITS ARE CURRENT. PAKISTAN HAS BEEN MEETING CURRENT PAYMENTS TO EXIM SINCE JULY 1973, THE END OF THE 1971-1973 DEBT MORATORIUM, FOR WHICH RESCHEDULING WAS PROVIDED. EXIM WILL CONTINUE TO HOLD PICIC AND IDBP, WITH GOP AS GUARANTOR OF CREDITS, RESPONSIBLE FOR MEETING PAYMENTS AS SCHEDULED.

7. IN THE EVENT BDG AND GOP REACH UNDERSTANDING AS TO WHICH LIMITED OFFICIAL USE

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SUBLOANS OF THREE RELENDING CREDITS TO BE RESPONSIBILITY OF BDG, EXIMBANK COULD DISCUSS APPROPRIATE REPAYMENT TERMS FOR BDG PORTION WITH BDG OFFICIALS. BELIEVE THIS COULD BEST BE HANDLED IN WASHINGTON BETWEEN BDG EMBASSY OFFICIALS AND EXIMBANK REPRESENTATIVES. EXIMBANK COULD CONSIDER REPAYMENT TERMS OF 7-8 YEARS FOR THIS SMALL BDG PORTION. (ORIGINAL RELENDING CREDITS CARRIED REPAYMENT TERMS OF 7 YEARS.)

8. EXIMBANK COULD NOT CONSIDER ANY FURTHER RESCHEDULING OF GOP SHARE.

9. CONCERNING PAKISTAN, EXIMBANK APPROVED AIRCRAFT LOAN IN 1973 AND ADDITIONAL DISBURSEMENTS MADE UNDER RELENDING CREDITS SINCE 1972 DEBT RESCHEDULING. EXPECT REPAYMENTS ON ALL LOANS INCLUDING THE THREE RELENDING CREDITS TO CONTINUE AS HAS BEEN CASE SINCE RESCHEDULING. SISCO

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